



FAMC ADVERSE MARKET APPRAISAL CONDITIONS and APPRAISAL TIPS

Special requirements apply to appraisals that identify adverse market conditions (for example, declining values, an over-supply of properties, or marketing times in excess of six months (180 days)). These appraisals need to be documented and reviewed carefully. **Required documentation includes:**

1. At least two of the three comparables must be dated within 90 days of the appraisal date.
2. A minimum of one listing or pending sale is required. Ideally and when possible, at least two additional comparable listings or pending sales should be provided.
3. The appraiser must address the impact on marketability and value of both favorable and unfavorable factors and avoid using subjective, racial, or stereotypical terms, phrases or comments within the appraisal report.
4. Days on market must be reported for subject property and each comparable sale and must support the average marketing time listed on Page 1 of the appraisal.
5. Appraisal must contain the total number of listings, and the sale to list price ratio as well as average marketing time for those listings, based on data available for most recent and preceding quarters (last 90 days and last 180 days) If the appraiser is unable to provide two comparables within 90 days and/or current listing(s), the appraiser must provide a detailed explanation and identify whether value adjustments resulted. The explanation from the appraiser must be consistent with other tools utilized to review the appraisal. When the appraiser is unable to provide this (or other) information, second level reviews through FAMC escalation processes may be required.

What is the sale to list price ratio?

Generally, the sale to list price ratio is based on the "original" list price compared to the "sale price". For example, Original List Price is \$350,000. At day 60, price is reduced to \$335,000. The final sale price is \$330,000. This represents a sale to list price ratio of 94%. A sale to list price ratio below 90% indicates rapidly declining values that could lead to a reduction in maximum LTV or a loan declination.

Where can the appraiser find this information?

Most services that provide comp data, such as the MLS, offer a reporting function that can pull this data. Please check with your provider. If not, this information can be calculated manually. We are looking for total number of listings in the subject market area for last 90 days and 180 days comparing the original list price to the final sales price of those homes. Note: The actual homes that have sold will generally be considerably less than the homes listed, making a manual calculation manageable.

Where does the appraiser put the sale to list price ratio on the appraisal?

This information should go in the Marketing Section of the appraisal, but often won't fit. Many appraisers will put "see addendum" in the marketing section then address in the addendum

Example verbiage for sale to list price ratio:

A sales search for the single family residences within a two-mile radius and a square footage differential of roughly 20% plus or minus of the subject reveals that there were 36 sales within the 90 day period from xx/xx/08 through xx/xx/08. Average Days on the Market was 91 days; average sales price was \$xxx,xxx, which averaged 96% of the list price.

Not part of the adverse market policy, but required and commonly missed on appraisals:

1. **Sale or transfer date for subject property and comps for past 12 months**, subject property transfer dates should be consistent with chain of title from prelim
2. **FHA appraisals should contain the verbiage:** Appraiser certifies property was inspected and specific systems tested per the 4150.2 and property meets min HUD property standards
3. **FHA appraisals require photos on all 4 sides** of the subject property

